



Indiana Department of Revenue  
**Individual Income Tax**  
**Net Operating Loss Computation**  
(See instructions on the back of this schedule)

Your Name	Your Social Security Number
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**Part I - Election to Forgo the Carryback of a Net Operating Loss**

Has a federal election to forgo the carryback period been made for the tax year entered in Part II?      Yes ☐ No ☐

**Part II - Computation of the Indiana Loss** - Make all applicable adjustments as listed. Unless line 10 indicates a (loss), you do not have a deductible Indiana net operating loss. Enter the loss, if any, as a positive figure in the box and on Part III. **Note:** A separate Schedule IT-40NOL *must* be completed for each loss year. Attach a copy of the federal loss year return to the Indiana loss year return.

Loss year ending: 19_____	Net operating loss from line 10 below:
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**Indiana Individual Income Tax Adjustments to Loss Year**

1. Enter the total Indiana income or (loss) from line 5 of Form IT-40 or line 1 of Form IT-40PNR .....	1	
<b>Add the following adjustments:</b>		
2. Any capital losses in excess of capital gains included in adjusted gross income attributed to Indiana	2	
3. Any federal nonbusiness deductions (IRA, Keogh plan, health insurance, penalty on early withdrawal of savings, alimony paid, student loan interest deduction, medical savings account deduction from Form 8853) <b>in excess</b> of Indiana nonbusiness income (interest, dividends, alimony, annuities, pensions, unemployment compensation) claimed on the Indiana return .....	3	
4. Total lines 1, 2, and 3 .....	4	
<b>Subtract the following Indiana modifications:</b>		
5. Interest on U.S. Government obligations but only to the extent of the remainder of Indiana nonbusiness income .....	5	
6. Non-Indiana locality earnings deduction .....	6	
7. Taxable social security and/or railroad retirement benefits .....	7	
8. Recovery of itemized deductions .....	8	
9. Total lines 5 through 8 .....	9	
10. Indiana Net Operating Loss to be carried back/forward (subtract line 9 from line 4). Carry applicable amount of line 10 loss to Part III, Column (3). Read instructions .....	10	

**Part III - Record of Utilization of Net Operating Loss Deduction for Indiana**

(1) Carried to Tax Year:	(2) Indiana Adjusted Gross Income (before exemptions and computation of the current net operating loss deduction)	(3) Amount of Net Operating Loss Carried Back/Forward (Enter on deduction schedule on your current year return.)	(4) Indiana Adjusted Gross Income <i>including</i> this NOL Deduction (before exemptions of the current year)	(5) Remaining Unused Net Operating Loss (available for following years)
3rd Preceding Tax Year:				
2nd Preceding Tax Year:				
1st Preceding Tax Year:				
1st Following Tax Year:				
2nd Following Tax Year:				
3rd Following Tax Year:				
4th Following Tax Year:				
5th Following Tax Year:				
6th Following Tax Year:				
7th Following Tax Year:				
8th Following Tax Year:				
9th Following Tax Year:				
10th Following Tax Year:				
11th Following Tax Year:				
12th Following Tax Year:				
13th Following Tax Year:				
14th Following Tax Year:				
*15th Following Tax Year:				

\*See Carryback and Carryforward Years in the instructions.

## Instructions for Completing Schedule IT-40NOL

### Who Should File

All individual taxpayers must complete and attach this schedule to the Indiana income tax return, Form IT-40, IT-40P, IT-40PNR, IT-40X or the IT-41, if they want to claim a net operating loss deduction. The Schedule IT-40NOL is not in itself a claim for refund, but an attachment to show how the net operating loss deduction is applied.

### When To File

A net operating loss (NOL) carryback must be claimed within 3 years from the original due date (plus any extensions) of the loss year return. Example: a 1998 loss year return was filed (under extension) on June 15, 1999. A refund claimed for the year 1996, due to the 1998 NOL carryback, must be filed no later than June 15, 2002. Net operating loss carryforward deductions fall within regular statutory requirements.

### Part I - Election to Forgo the Carryback of a Net Operating Loss

Pursuant to the Internal Revenue Code a taxpayer may elect to forgo the entire carryback period. If this election is made, the loss may be carried forward only. A taxpayer must irrevocably elect, by the loss year's due date (including extensions), the **same** carryback or carryforward treatment for Indiana tax purposes as elected for federal tax purposes. This election is reflected on Indiana Schedule IT-40NOL. If a taxpayer has no federal net operating loss, a statement must be attached to the Indiana loss year return when electing to forgo the provision to carryback.

### Carryback and Carryforward Years

The Indiana net operating loss must be used in the same manner as provided under Section 172 of the Internal Revenue Code. For an NOL occurring in a tax year beginning **on or before** August 5, 1997, you can carry an NOL back 3 tax years and forward up to 15 tax years. For an NOL occurring in a tax year beginning **after** August 5, 1997, the period to which you can carry an NOL back is decreased to 2 tax years, and the period to which you can carry an NOL forward is increased up to 20 tax years. Note: You can still carry the part of an NOL that is from casualties and theft and farm/small business losses attributable to Presidentially declared disasters back 3 years. Get federal Publication 536 for additional information by calling 1-800-829-3676.

### Part II - Computation of Indiana Net Operating Loss

For tax years beginning after December 31, 1986, all net operating loss computations must comply with the method of computation as outlined in this schedule. Carryovers from prior loss years must be adjusted to comply with current policy. The amount of loss so determined may then be used as a deduction for Indiana net taxable income.

### Individual Income Tax Adjustments To Loss Year

**Line 1** - Enter your total income (loss) from line 5, Form IT-40, or line 1, Form IT-40PNR. **Note:** The following adjustments: (a) tax add back from federal Schedules C, E, and F; (b) net operating loss add back from federal Form 1040 line 21; and (c) ordinary income and capital gain portion of lump sum distribution, should already be included in this amount.

### Adjustments required by I.R.C. Section 172

**Line 2** - Add back any capital losses in excess of capital gains reported for Indiana adjusted gross income.

**Line 3** - Add back any federal adjustments to income, classified as nonbusiness deductions (such as: IRA, Keogh plans, health insurance, etc.) attributable to Indiana that are **in excess** of the nonbusiness income (such as: interest, dividends, alimony, etc.) claimed on the Indiana return.

**Lines 5 - 9** - Indiana modifications are required by I.C. 6-3-1-3.5(a)

### Part III - Utilization of Net Operating Loss Deduction

You must complete a Schedule IT-40NOL for each year in which a loss occurs. Copies of the schedule must be attached to returns for all years on which the loss deduction is claimed. If more than one year is being utilized, a separate Schedule IT-40NOL should be completed.

**Column 1 - Tax Years** - Enter in Column 1 the applicable tax year ending date(s) to which the loss is being carried. An entry should be made on each line. If, in one or more of these years, a loss was incurred or the Indiana adjusted gross income was previously reduced to zero (0) by another loss carryover, the year must still be entered and all five (5) columns completed.

**Column 2 - Indiana Adjusted Gross Income** - Enter the Indiana adjusted gross income, before exemptions, from the original return, or as previously adjusted. If previously adjusted due to another net operating loss deduction, a copy of the Schedule IT-40NOL for the prior loss year should be attached. If previously adjusted from an audit or amended return, an explanation should be attached to Schedule IT-40NOL explaining how the adjusted gross income figure was computed.

**Column 3 - Amount of Net Operating Loss Deductions** - If the loss from Part II, or the carryover loss in Column 5 of the previous year is less than the adjusted gross income for the year (Column 2), enter the full amount of the available loss. If the available loss is greater than the amount in Column 2 for the year, enter that portion of the available loss needed to decrease the adjusted gross income to zero for Column 4. Any remaining unused loss should be shown in Column 5 for the next carryover year.

It is important to carry the proper amount from Column 3 to the Indiana deductions schedule of your current year Indiana tax return.

**Column 4 - Indiana Adjusted Gross Income** - Subtract the amount in Column 3 from the amount in Column 2 for the same year. This is the amount of net adjusted gross income after the Indiana net operating loss deduction has been applied. This entry should not be less than zero. Exemptions are subtracted on the income tax return to arrive at taxable income, if any.

**Column 5 - Remaining Unused Net Operating Loss** - Enter the amount of net operating loss remaining, if any, after each year's calculation. This amount is also the available net operating loss for Column 3 of the following year.

You must attach the completed Schedule IT-40NOL to the return(s) on which a net operating loss deduction is claimed. If you have any questions concerning Indiana's treatment of a net operating loss, contact the Indiana Department of Revenue, Indiana Government Center North, 100 N. Senate Ave., Indianapolis, IN 46204-2253.